

EXHIBIT

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IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

JOHNNY JACKSON AND LATESIA)
JACKSON,)
)
Plaintiffs,)
)
v.) CIVIL ACTION NO.
)
PEOPLES SOUTH BANK f/k/a PEOPLES)
COMMUNITY BANK, LARRY PITCHFORD, et.)
al.)
)
Defendants.)

AFFIDAVIT OF DIANE HAGLER

1. My name is Diane Hagler. I am a resident of Eufaula, Alabama and I am over the age of nineteen (19) years. I am competent to testify to the matters contained herein and I offer this testimony based on my personal knowledge as Branch Manager and Vice President of PeoplesSouth Bancshares, Inc. ("PeoplesSouth").

2. I base my knowledge on my review of records relating to Johnny and Latesia Jackson's accounts and loans with PeoplesSouth.

3. The Jacksons had a checking account with PeoplesSouth which was numbered Account #----1633.

4. The Jacksons also had Loan #----3370 for the remodeling of their house. The loan was extended in the amount of \$132,036.50.

5. Periodically, funds would be advanced as part of the loan and were deposited into the Jacksons' checking Account #----1633.

6. In August 2003, the Jacksons' checking Account #----1633 was overdrawn.

7. Non-sufficient fund fees were assessed against the account because it was overdrawn.

8. On August 6, 2003, PeoplesSouth, deposited \$16,504.45 into the Jacksons' checking Account #----1633 so that it would not be overdrawn.

9. This sum of \$16,504.45 was an over-advance on the Jacksons' Loan #----3370.

10. This same amount, \$16,504.45, was reversed and corrected on August 11, 2003.

11. Also on August 11, 2003, a sum of \$15,402.50 was deposited into the checking Account #----1633. These funds were proceeds from a new Loan #----3448, which renewed the Jacksons' prior loan, Loan #----3370.

12. Because the \$16,504.45 "over-advance" had been reversed, the deposit of \$15,402.50 did not cover the overdraft on Account #----1633 and a negative balance of \$1,101.95 remained.

13. On September 19, 2003, PeoplesSouth deposited \$1,126.95 into Account #----1633 and, therefore, absorbed all account deficiencies, charges and fees that were assessed against Jacksons' account.

Further affiant saith not.

Diane Hagler
Diane Hagler

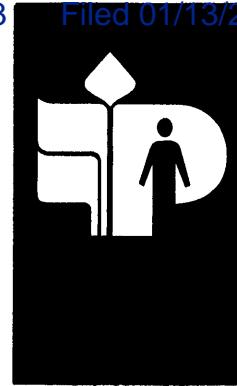
STATE OF ALABAMA)
COUNTY OF BARBOUR)

Before me, Lisa M. Bell, a Notary Public in and for said county in said State, personally appeared Diane Hagler, who being first duly sworn, makes oath that She has read the foregoing affidavit and knows the contents thereof, and that the facts alleged therein are true and correct.

Subscribed and sworn to before me this 6th day of January, 2006.

Notary Public Lisa M. Bell

My Commission My Commission Expires June 4, 2007
Expires: _____
(SEAL)

**PEOPLES SOUTH
BANK**

Diane T. Hagler
Vice President/Branch Manager

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